

FISCAL IMPACT STATEMENT ON BILL NO. **H.3415**

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TO:	The Honorable Daniel T. "Dan" Cooper, Chairperson, House Ways and Means Committee		
FROM:	Office of State Budget, Budget and Control Board		
ANALYSTS:	Torina Wood		
DATE:	March 14, 2007	SBD:	2007201

AUTHOR:	Representative Hosey	PRIMARY CODE CITE:	12-21-635
SUBJECT:	Cigarette Tax - Smoking Cessation and Health Care Fund		

ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:
See Below

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:
See Below

BILL SUMMARY:

House Bill 3415 amends the Code of Laws of South Carolina, 1976, by adding Section 12-21-635 so as to impose an additional tax of 1.5 cents per cigarette and to establish the Smoking Cessation and Health Care Fund into which must be deposited fifty percent of the revenue generated from the imposition of this tax.

EXPLANATION OF IMPACT:

The Board of Economic Advisors (BEA) reports this Bill will increase business license tax revenue by an estimated \$89,390,000. Of this amount, fifty percent or an estimated \$44,695,000 would be credited to the Smoking Cessation and Health Care Fund (the Fund). The Department of Health and Human Services (DHHS) indicates that the Bill, as currently written, creates an entitlement program for which DHHS would be responsible. Since the Bill does not grant DHHS the authority to cap the number of eligibles or benefits when the Fund has expended all resources, then DHHS could be liable to pay benefits. Thus, this Bill could cost \$516,516,413 for an estimated 695,645 South Carolina smokers. DHHS' estimate is based on claims administration, medical reimbursements, and multiple-call counseling for a three-month regimen per smoker.

Estimated revenue of \$44,695,000 would allow 60,195 (or approximately 8.65%) of smokers to receive services. In order to provide services to one-fourth (or 173,911) of smokers, \$129,129,103 in revenue would need to be credited to the Fund. If one-half (or 347,822) of all South Carolina smokers received services, \$258,258,206 in revenue would need to be credited to the Fund.

LOCAL GOVERNMENT IMPACT:

None.

SPECIAL NOTES:

None.

Approved by:



Don Addy
Assistant Director, Office of State Budget